# Lloyds Bank Limited

## MONTHLY REVIEW

JANUARY 1933

1677

# TABLE OF CONTENTS

# Lloyds Bank Limited Monthly Review

New Series—Vol. 4 January, 1933 No. 35

**** The Bank publishes from time to time in this Monthly Review signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

## World Recovery and War Debts

*By The Right Honble. H. A. L. Fisher*

THE position of the world at the present moment is in two respects most paradoxical. A vast glut of commodities is accompanied by unexampled unemployment and distress. " We find ourselves," writes Mr. Howard Scott, a distinguished American engineer, " for the first time in history with an economy of plenty existing in the midst of a hodge-podge of debt and unemployment." That is the economic paradox, serious in any case, and the more serious by reason of the fact that the economics of a glut upon so great a scale as that which we are now experiencing have not been worked out.

In the moral and intellectual sphere there is a paradox hardly less baffling. A popular ferment of national exclusiveness coincides with a recognition, more general than ever before, that every nation's gravest economic problems can only be adequately solved by international action. Passion says, " Let us be national." Reason replies, " The world is one." While emotion dictates armaments, tariffs, shipping subsidies, and a self-centred national existence, common sense replies that the world has become an economic unit, every part of which is in some manner dependent on every other part, and that of all forms of luxury, national exclusiveness is now the most expensive.

It is not the purpose of the present paper to examine the problem created by the remarkable technological progress of

recent years. The displacement of men by machines is, of course, no new fact. It has been a feature of economic development ever since the Industrial Revolution of the eighteenth century, and whenever the pace of Science has been rapid, dislocation has occurred, and uneasiness has been felt. What is disconcerting in the present situation is not that men are being displaced by machines, but that the cheapening of commodities consequent upon engineering progress has so far failed to produce the expansion of industry capable of giving employment to the men who are thrown out of work by mechanization. While the mechanism of production has been improved out of recognition, so that it is said that 100 men working four modern brick plants can to-day manufacture all the bricks that the United States can use,* the mechanism of distribution, so far from becoming more efficient than before, has sensibly deteriorated.

In the United States, where unemployment through mechanization has reached enormous dimensions, the evil has created the most serious concern and suggested the most drastic remedies: but the difficulty is not confined to the territory of the United States. In every country of Europe the cry goes up that men are being displaced by machines. In South Africa, General Smuts half seriously expressed a wish that in the interests of the farming industry there might be a holiday for Science. In England we are informed on high authority that the cost of production of wheat can be reduced by anything from fifty to seventy-five per cent. by the use of mechanical tractors.

One thing at least is obvious in connection with this problem. No purely national solution will be adequate. Every government will, of course, do what it can to assuage the lot of the unemployed, to find work for them and to improve the conditions of its own industry: but for international maladjustment there must be international cures. It will be sufficient here to indicate by one very obvious illustration the truth of this proposition. Nine hundred million human beings live in Asia, constituting a vast potential market for the produce of the West, but, under the present conditions of political disturbance and economic depression, too poor to purchase the commodities which they need and would in happier times

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* *The Times*, January 5th, 1933.

be able to procure. The Orient is now lean and troubled. It must be fattened and appeased. Every western country is economically interested in the revival of its prosperity, but no western country can go far by itself. At the very threshold of the Oriental problem is the question of the medium of exchange in which the trade between the East and West should be conducted. What is to be the position of silver in the future? Here is a grave question often debated and only to be settled by international action.

Clearly an international question. No nation by itself can prescribe the currency conditions which should govern the economic dealings of India, China and Japan with the United States and Europe. Here we are brought up against the moral paradox. There is no mystery as to the genesis of the hot spirit of nationalism which has prevailed in recent years. It is explained by the shocking anachronism of war. New nation states were brought into being. Old nations were thrown back upon themselves. The ideal of national self-sufficiency, which prevails whenever the filaments of international trade are ruptured by war, and it becomes a prime object of policy to ruin and exhaust an opponent, was not lightly abandoned when the guns ceased fire. The war spirit continued on either side of the Atlantic, tending to fresh armaments in the European continent where the antagonists in the struggle lived side by side, and in the United States, where there was not the same need for military apprehension, to three successive rises in the tariff. Yet this intensified nationalism, which is nowhere more crudely exhibited than in the valley of the Danube, represents only one side of the world's reaction to the grim fact of war. All over the world thoughtful men and women felt that, given a better and more carefully planned world order, wars would not occur. To an extent never before realized in human history, men and women of good intent in every civilized country considered how best to lay the foundation of a durable peace. Mr. Wilson proposed the establishment of a League of Nations. Mr. Kellogg, a few years later, advocated a Pact for the renunciation of war. At Washington an important naval conference was held in 1920, which resulted in the limitation of the size of capital ships.

If we live in an epoch of nationalism, our nationalism is mitigated by international conferences. At Geneva

representatives from the greater part of the world are met in almost continuous conference.

In these consultations the Government of the United States, though not officially a member of the League, has taken a substantial and valued part. In so doing it has recognized that at this stage of human history it cannot disinterest itself in the fate of Europe. In point of fact its intervention has, we believe, been dictated by broad motives of humanity and sentiment. But even if these had been absent, considerations of economic prudence would have suggested to any sensible business head in the United States that a ruined Europe would be a calamity for American business. The rôle played by European capital in building up the transport and industrial system of the United States in the nineteenth century is one of the most salient facts in the history of the Republic, the large European holdings in American concerns (Britain had 755 million pounds of marketable securities invested in the U.S.A. at the end of 1913) are of too recent memory to be forgotten, and though since the war the relation of creditor and debtor as between America and Europe has been violently reversed, the United States imported even in 1932 about 1,300 million dollars worth of goods from abroad, and finds foreign markets essential to the prosperity of her trade in cotton, tobacco, lard, wheat, copper, kerosene and many other important commodities. The economic interdependence of the United States upon the remainder of the world is a fact so plainly written on statistical tables that it cannot fail in the long run to mitigate that sharp recoil from Europe, which owed much of its original intensity to the Republican dislike of a Democratic President.

One feature of the present economic situation dominates all others. It is unemployment, bad everywhere; in Britain chronic since the war, and showing no signs of material diminution; in Germany most formidable; but nowhere graver than in the United States, whose brilliant and, indeed, astounding prosperity of a few years ago has been suddenly exchanged for scenes of heart-rending distress and destitution. A New York correspondent to the London *Times* writes: "Over a million of the city's inhabitants, representing one-third of the normal working population and one-sixth of the total population, are unemployed and dependent, where means have come to an end, upon public and private charity. Including

dependents something like one-third of the entire populace is in the shadow of unemployment." Commenting on this statement *The Times* continues: "Other great American cities are in a similar plight. The rural areas are possibly still worse off, for the whole farming population has been reduced to despair, in many parts to actual ruin, by the long continued fall of commodity prices. Thousands—hundreds of thousands—of people have become homeless vagabonds roaming the country in search of work, food and shelter. There are no trustworthy figures for this vagrant army; but a correspondent with special opportunities for judging wrote that it would be no exaggeration to say that there are to-day at least half a million under-fed and desperate people, many of them women, tramping up and down the United States."

How are the dimensions of this vast calamity, affecting thirty million human beings throughout the world, to be reduced? How is industry to be raised from its present dejection? In what way is confidence to be restored and the wheels of trade and manufacture set going again? That is the great international problem of the moment. Restore economic prosperity, and many of the political troubles will disappear.

A final settlement of the war debts problem is undoubtedly one among many alleviations which may be applied to our present evils. The British view from the first has been that it is all-important. The American Treasury view has been otherwise. But however differing may be the weights assigned on either side of the Atlantic to the place of war debts among the causes of discontents, these obligations constitute indubitably a problem which can be handled. A group of statesmen sitting round a table can decide whether the war debts shall be cancelled (the course recommended by all British and by many American economists), postponed, scaled down or rigorously enforced. A clear decision in favour of any one of these courses, so far as the mechanics of the operation go, is a matter which presents no difficulty and need involve little delay. It might, and indeed should be reached before the next payment becomes due in June, 1933.

Measured in cash and compared with the total cash value of the trade done between nations, the war debts, about which so much has been written, may not appear to be very considerable. The annual payment for instance required by the United States from Great Britain is only one-tenth of the

sum which the citizens of Great Britain herself expect to receive from their commercial debtors. That 40 million pounds sterling (at par of exchange) should be annually demanded from the tax-payers of Great Britain on account of war debt is no doubt felt to be a severe burden by a population which is required to pay an income tax of five shillings in the pound. Yet it is not an impossible burden. The people of Great Britain can bear a tax of that order of magnitude, though not without grave injury to their standard of national well-being, so long as they can find means of payment.

There is one word which Europe cannot say and there is another word which Europe cannot ask the United States to say. Europe cannot say the word "Default," and it cannot, in view of the repeated declarations of the American Government that such a solution would be entirely unacceptable, ask the United States to say the word "Cancellation." The people of Europe who clamour for default on grounds which may be easily understood, forget that a country which declines to pay its creditors has no ground for complaint if it fails to receive payment from its debtors. Least of all can a great creditor country like Britain afford to damage its credit by default. There is, moreover, the question of prospective loans. The modern world lives on credit. For the financing of all great enterprises there is no other way but recourse to the world's loan market. In that market the defaulting country would find that memory is long. No one lends on easy terms to the borrower whose credit is shaken by a memorable and notorious default.

Equally is it impossible for Europe to ask America to cancel the war debt. Europe may believe that cancellation would be of all possible courses the one best fitted to set the wheels of industry going once more and to restore prosperity to two continents. She may believe that the psychological effects of cancellation would be far in excess of the actual pecuniary relief afforded, that cancellation would be taken everywhere to mean that the war period was at an end, that the burdens of war were taken off the shoulders of the suffering peoples and that the tasks of peace might now be approached with some hopes of achievement and progress. Europe may believe all this. She probably does believe all this, for her economists have used words in that sense ever since Mr. Keynes wrote his "Economic Consequences of the Peace." Yet she cannot ask America to cancel.

How can she ask America to cancel in view of the facts and figures with respect to American unemployment which have been stated in an earlier part of this paper? It is true that most economists believe that cancellation would powerfully contribute to an improvement in world trade, a large share of which would be enjoyed by the United States. But how can Europe suggest to American statesmen that they should cancel the debt and make up for the loss of foreign payments by taxing their own nationals, the internal distress of America being as it is described? Statesmen have to consider the public opinion of their respective countries. Would it be easy in England for members of Parliament at a time of great unemployment and high taxation to go down to their constituencies and argue that foreigners should be let off their debt on the ground that the further exaction of the debt would prevent the recovery of world trade? Would it not be apparent from the first that to the mind of the average constituent the loss of the foreign tribute was certain, while the prospective gain to trade was hypothetical and speculative? To bring the long, delicate and difficult argument, upon which the case for cancellation rests, to the minds and hearts of an average English constituency would be difficult. Nothing leads us to suppose that the task of economic education would be easier in the United States.

Accordingly, any suggestion from the European side that the war debts should be cancelled is to be deprecated. If Congress, after having carefully examined the whole ground, comes to the conclusion that the economic interests of the Republic would be furthered by the policy of the clean slate, that is another matter, but we are not unprejudiced judges. It is quite reasonable that our testimony should be received with caution.

Yet there are certain aspects of the Debt Question which are so vital to a correct appreciation of the subject, that it is the duty of Europeans to bring them, if they can, to the notice of the American public in order that they may reach a sound conclusion upon it.

The first of these considerations is the connection between the war debts contracted by the belligerent powers of the victorious *Entente*, and the reparations enforced by the victors upon their vanquished opponents. It will readily be understood that these two kinds of payments, though entirely distinct in origin, are now very closely linked together. To a Frenchman

it is unthinkable that he should forgive the Germans what is owing to him on reparation account, while continuing to pay to the Americans what is owing to them on debt account. If the American claim against him is to stand, then the German debt to him must stand also. The two types of payment are inseparable. It follows that no great alleviation of the German burden can be expected without some revision of the debt claim in the United States.

If this were merely an ordinary economic question, it would not have, perhaps, any great importance. But for Germany the Reparations question has a psychological significance quite out of relation to the figures involved. The payment is a symbol of humiliation and defeat. The cessation of reparations marks the dawn of freedom. Nobody who has recently travelled in Germany has failed to be impressed with the gloom, the febrile excitement, the unstable psychology of the German people. The Communists are strong; so, too, are the Nazis. The Monarchists are biding their time. The country is governed despotically. There is no great faith in the stability of the Republic. Evidence of great national misery abounds. There are more than five million unemployed. A certain grinding and hopeless poverty has affected the ethos of the German middle class, which is the great bulwark for order and stability in central Europe.

Those Europeans who watch Germany are uneasy. They fear an explosion and the elimination of the moderate and moderating elements. So fully conscious is Europe of the gravity of the situation that at the Conference at Lausanne a settlement was reached completely wiping out nine-tenths of Germany's vast reparation liability. Now it is obvious, as two distinguished American economists* have pointed out, that by surrendering their reparations claims on Germany many important European countries deprive themselves of sources of revenue which would otherwise be available for the liquidation of war debts. " The position of eight countries, Great Britain, France, Italy, Belgium, Rumania, Yugo-Slavia, Greece and Portugal would change from that of more or less substantial net creditors to that of much more substantial net debtors. The ability of these countries, the first seven of which are war debtors to the United States, to meet their debt payments would clearly be affected."

* Harold G. Moulton and Leo Pasvolsky: "War Debts and World Prosperity."

A second circumstance having a direct relation to the solution of the debt question is the appreciation in the value of gold which has taken place since the war debts were first incurred. An appreciation of gold, or in other words a fall in general prices, while it undoubtedly has some good consequences, falls very hardly upon those who have contracted debts and find themselves called upon to pay in an appreciated and appreciating currency. Now the appreciation of gold since the debts were first incurred has been of a very remarkable order. Between 1918 and October, 1932, American wholesale prices fell by almost exactly 50 per cent. Thus the burden of debt doubled. Since 1923, the date of the Funding Agreement, the fall was one of 36 per cent. and, therefore, the burden of the war debts rose in the rough proportion of 3 to 2 during 1923–32. Accordingly, if the principle be admitted that compensation should be made for the fall in gold prices, the following deductions would be needed in the Debt Annuities.

| Date. | Amount paid by U.K. | Amount due, "deflated" to allow for fall in prices. | Difference = amount "overpaid" in terms of commodities. |
|---|---|---|---|
| | $ mn. | $ mn. | $ mn. |
| 1923 .. .. | 161·0 | 161·0 | — |
| 1924 .. .. | 160·3 | 156·2 | − 4·1 |
| 1925 .. .. | 160·6 | 165·2 | + 4·6 |
| 1926 .. .. | 160·9 | 160·1 | − 0·8 |
| 1927 .. .. | 160·1 | 151·8 | − 8·3 |
| 1928 .. .. | 161·4 | 155·0 | − 6·4 |
| 1929 .. .. | 160·6 | 152·0 | − 8·6 |
| 1930 .. .. | 160·8 | 138·0 | −22·8 |
| 1931 .. .. | 80·0 | 58·0 | −22·0 |
| 1932 .. .. | 91·8 | 58·0 | −33·8 |

The argument for the scaling down of the war debts to the measure indicated by the change in the value of money is reinforced by the reflection that nothing is worse for production than an automatically increasing burden of this description. The circumstances of Mr. Bryan's famous Bimetallist campaign are familiar to many Englishmen and will be familiar to many more Americans. There were some weak points in the Bimetallist case as presented by Mr. Bryan, but there was one strong point which brought him the farmer's vote. Falling prices were ruining the western homesteads and, meanwhile,

the interest which the farmer was required to pay on his bank advances was steadily increasing in purchasing power. The aid of silver was invoked to arrest a process under which the sales of the farm produce brought in a constantly diminishing sum and the outgoings to the banks represented a constantly increasing value. It is interesting to note that the recurrence in the aggravated form of the same conditions has brought about a revival of interest in the silver question.

If there is one thing upon which all business men are agreed it would seem to be this, that nothing is worse for industry than the augmentation through falling prices of the debt burden imposed on a community.

We have given it as our opinion that it is not for Europe to press America for cancellation. What we are, however, fully entitled to urge is that if we are expected to pay, we should be accorded the means of doing so. The debt from Europe to America can only be discharged by a remittance of gold or by the purchase of foreign exchange. It may afford some measure of the inadequacy of the first of these modes of payment to point out that the German gold supply in 1921 was no more than sufficient to meet reparations payments for about six months. But the purchase of foreign exchange can only be effected if the debtor country has a surplus wherewith to buy dollars from its own nationals, who have supplied the creditor country with goods and services. It is not sufficient that the debtor country should have the will to pay. It is also necessary that the creditor country should have the will to receive. In the long run international debts can only be liquidated by the importation of goods from the debtor country into the markets of the creditor country, or, alternatively, by the discharge of services. These modes of payment, however, have been rendered so difficult to the debtors of the United States that unless some remedy be promptly applied, payments will cease, not out of a will to default, not from lack of assets, but simply by reason of the fact that the creditor country has made it impossible for its debtors to discover a means of discharging their obligations.

Will the United States permit itself to be paid in goods? The British debt was contracted by the purchase of American goods with the help of American advances. Will the government of Washington consent to the liquidation of that debt through the despatch of an equivalent value of British goods to the

American market? For obvious reasons American statesmen would shrink from a sudden importation of English goods at every date of settlement. They would rightly consider that an influx of foreign goods, arranged upon such a scale, and in response to none of the normal needs of the community, would cause an intolerable dislocation of the home market. Alternatively, is Washington disposed to permit British goods to enter more freely into the American market in the ordinary way of commerce? The Hawley-Smoot tariff is practically prohibitive; nor is there visible as yet in the political sky any premonitory sign of a change of fiscal weather. Yet if a solution of the debt question is to be reached, and if America continues to demand payment, she cannot avoid taking into consideration the effect of her tariff in obstructing the satisfaction of her legitimate claims. She cannot continue to say, "We demand Payment," and at the same time block up the channel through which payments can most easily flow. As soon as the debt question is seriously considered, it becomes obvious that there are only two broad alternatives worthy of consideration, cancellation or tariff revision.

Theoretically, of course, there is a third course open. America might receive payment in services. In pre-war times, when the greater part of the American carrying trade was entrusted to the British Commercial Navy, it would have been easy for Britain to discharge her debt in this way. It is still by far the easiest and most convenient way by which the British liability could be liquidated. But the way is barred. The tax-payers of the United States have been called upon to make heavy contributions to deprive themselves of the possibility of being paid by shipping services. On this subject Sir Alan Anderson, the Chairman of the Orient Steam Navigation Company, has recently made a remarkable pronouncement:—

> "From the official reports of the United States Shipping Board it appears that during five years to June, 1928, the United States tax-payer paid in operating losses and in laying up expenses of merchant ships on the average about £5,000,000 at par in each year: the total loss for the 12 years from 1920, including the operating loss named above, but excluding interest, has been about £600,000,000 at par. Such immense figures by themselves mean nothing but it may concern you to know that in this one gesture of refusal to accept

the services of foreign ships in payment of past debts and current exports, the United States tax-payer has devoted a sum of money which is approximately :—

ten times the value of goods bought by U.S.A. from the United Kingdom in 1929, a fairly normal year, or

eight times the cost of the Panama Canal, or

five times the face value of Preferred and Common stock and funded debt of Bethlehem Steel Works, or

twice the value based on building cost less normal depreciation of the 17,500,000 tons of British merchant ships engaged in foreign trade, or

exceeds by some £50,000,000 at par the total payments for war debts made to U.S.A. by all her debtors up to last year.

"It is difficult to exaggerate the injury the U.S.A. does to world trade, and incidentally to herself, by devoting such a mass of wealth to rejecting payment by her debtors in the form of shipping services. It almost seems that the more the world in its anxiety to be honest pours its much-needed spending power into U.S.A., the more resolutely U.S.A. applies that wealth to prevent the debtor from repaying or recovering his prosperity, which is as necessary for the prosperity of the farmer and industrialist and investor of U.S.A. as for anyone. Perhaps the tax-payer of U.S.A. does not grasp what is happening and he is not enlightened by the shipowner, who naturally speaks as if he was engaged in normal enterprise at his own risk and deserved praise for his courage."

The shipping services, therefore, which Great Britain is able to render to the United States are no longer what they were. They have dwindled before the growth of the American Commercial Navy, and with the contraction of international trade due to the tariff. Only if it can be brought home to the American tax-payer that he is being asked to pay taxes in order to prevent his country receiving payment for its debts, is there any likelihood of a change in the situation. We are not, however, sanguine. A sentiment of national prestige attaches to the United States shipping policy which is not equally present in the maintenance of its tariff rates. For this reason we fear that the new President is unlikely to choose that the United States should receive their payments in shipping services.

There remains gold. As all the world knows the last British payment on war debt account was made in gold. Whether it will be possible for Great Britain to make another payment in gold must, I think, be regarded as, in the highest degree, doubtful: but in any case there can be no doubt that two more payments in gold will be out of the question. If, owing to the present height of American tariffs, payment in goods remains impossible, then it is as certain as that night follows day, that payment in gold will necessarily cease, if not this year, then the year afterwards.

From the American point of view such a cessation of gold payments would be the less regrettable by reason of the fact that the United States has already more gold than it can employ as a support for currency and commerce. The last shipment of gold from Great Britain to the United States has done nothing, will do nothing, and can do nothing towards lightening the lot by the value of one cent of any citizen in the American union. Ordinarily speaking when in the national operation of commerce gold flows into a country, it tends to set up a compensatory action by raising prices and stimulating imports. No such compensatory action is set up by these consignments of gold to the Federal Reserve Banks. The gold is sterilized. It is not employed to extend currency or enlarge credit. It has no action on prices. It is not the slightest good to any human soul in the United States. It exercises no influence in stimulating the exports of the debtor country. The only ascertainable consequence of a remittance of this character is to impose upon the debtor the embarrassment of either being compelled to suspend its sinking fund, or else of resorting to increased taxation. For these reasons we think it most unlikely that Mr. Roosevelt will favour the continuance of a system which leaves to America's European debtors, as the only means of liquidating their war debt, a remittance in gold. The new President will be the first to realize that such remittances cannot be long continued, if only by reason of the fact that a large part of the world's gold supply is already on the American side of the water, and that, even if this were not so, such payments would be unavailing to help, even in the slightest degree the very grave economic situation with which he is confronted. He will, therefore, we assume, naturally consider alternative methods of obtaining for his country satisfaction for its lawful claims.

In making that enquiry he will, no doubt, be confronted with an opinion widely entertained in America, that the occasion of such a review should be employed for obtaining a reduction in European armaments. The ordinary American citizen asks himself, not without reason, why he should make concessions to a debtor who arms himself to the teeth without regard to cost. If the only use the continent of Europe makes of its reviving commerce is to prepare for the eventuality of war, the American is inclined to say that he is not much concerned to help to set the continent upon its legs again. There are some who say, "Debt revision by all means, but only in exchange for disarmament."

How deeply felt this opinion may be we have no means of judging. In Britain, where the current of opinion in favour of disarmament runs strongly, and great reductions have already been made in the naval and military establishments of the country, any pressure which America may be able to exercise in the direction of a general reduction of armaments by agreement will be cordially welcomed. The United States has it in its power to make a most decisive contribution to the peace of the world on the lines indicated by Mr. Hoover's recent message to Congress. It can pass legislation conferring upon the President authority on his discretion to limit or to forbid the shipment of arms for military purposes. It might even go further and declare that it would neither permit the shipment of arms nor supply financial assistance to any nation violating the Kellogg Pact. When we consider from how much trouble the world would have been relieved if the Treaty of St. Germain of 1920, forbidding the exportation of arms and munitions of war to the uncivilized and backward parts of the world, had been ratified by Congress, we can measure the extent of the contribution which it is in the power of the United States to make to the advancement of Peace. It is, however, fair to point out that the continental problem is one of great delicacy. At the bottom of it lies not so much international wickedness as international fear. Financial inducements do not conjure away this terrible emotion. The fear of hunger which now assails so many deserving citizens of the United States is not more real than the nightmare of invasion which still haunts the peasantry of Eastern France. It is always to be remembered that at the heart of the armament problem of continental Europe is the psychology of a people twice invaded within living memory.

It would, then, be a mistake to make of disarmament a *sine qua non* of any drastic revision of the war debts. Armaments are the symptom of a disease to which material misery makes a definite contribution. With increased prosperity the nerves of Europe will recover and the obsession of impending war lose much of its present violence.

It is, then, rather in the economic than in the political field that America has it in its power at the present juncture to afford the greatest service to humanity. Let her use her great economic position to press for a reduction of the high tariffs which are throttling European trade, and herself by the offer of a liberal tariff revision, give an example which other nations may follow. There is no economist of repute in the world who does not agree that the prime cause of our present economic discontent is the existence of the high tariff walls which now divide state from state. It is not, of course, suggested that these should be razed to the ground at one stroke. What is needed is a considered plan of reduction sufficiently liberal to revive international trading and to enable European debt payments to America, if still required, to be made without resort to the patent absurdity of consigning fresh remittances of gold to the sterile hoards of the Federal Reserve Banks.

The idea of a self-sufficient United States of America possesses attractions so natural that we cannot be surprised if it is widely entertained, but a country cannot be self-sufficient and at the same time expect to receive vast payments over a long period of years from foreign debtors. If it is to be self-sufficient, it must write off its foreign claims. If it insists upon its foreign claims, it must make arrangements whereby these claims can be met. The gateway must be open for the reception of foreign goods or foreign services. If it is not found convenient so to open it, then the stream of foreign payments must, from the inner necessity of things, dry up altogether.

It would be an interesting question for academic speculation which of the following two alternative policies would do most to restore the economic prosperity of the world, namely, complete cancellation of the war debts coupled with a maintenance of existing tariffs, or a downward revision of the war debts, taking into account the fall of prices since 1923, the British "flight from gold," the contraction of trade, and the loss of reparations receipts, coupled by a general reduction in the height of tariff walls. That immense benefits would accrue under either policy cannot be doubted by any thinker who has given attention to

economic affairs. Cancellation would have the most immediate, the most spectacular effect; but it is likely that the other policy would prove to be of more enduring value, a policy of freer trade and of debts scaled down in a proportion comparable to the reductions agreed to at Lausanne. With these and other allied topics American public opinion will be gravely concerned during the coming months. An Englishman may be permitted to hope that the administration of the new President will, after a scientific and dispassionate examination of the issues involved, rid the world once and for all of this chronic source of economic disorder and international ill-will.

Meanwhile, the World Economic Conference, upon which issues of such vast magnitude depend, is to meet next April. Will it be adequately prepared for its task? Will it be equipped not only with the necessary facts and figures, but also with the no less essential breadth and comprehensiveness of view? If the American administration prefers to discuss war debts as a separate issue, and to treat with each debtor separately upon the merits of its particular case, will it, nevertheless, bear in mind that the question of debts is intimately bound up with the question of tariffs, shipping subsidies, and trade restrictions? Will it be remembered that Europe's capacity to pay and the United States capacity to receive both depend fundamentally upon the volume and value of world trade, and the point at which the balance is struck between the general payments and receipts of Europe and of the United States? These considerations are essential elements of the problem. It is almost a truism that the greater the value of world trade becomes, the easier it is to finance any specific international payment, just as it is unnecessary to say that it is impracticable for Europe to continue to pay exclusively in gold. Sooner or later specific debt discussions must impinge upon the field covered by the World Economic Conference, and it may be that the only result of the initial debt discussions next spring will be to define roughly the extent to which the debt problem is correlated with the other major problems of the world. A temporary and flexible debt settlement framed on the understanding that it is open to revision in the light of subsequent experience would be a great deal better than leaving things as they are. If it be a settlement based upon an intelligent appreciation of all the factors which really matter, it will be, however imperfect, a substantial contribution to our common economic convalescence.

H. A. L. Fisher.

## Some Problems of National Finance

THE returns of Government revenue and expenditure for the first nine months of the current financial year afford a convenient opportunity for taking stock of our financial position. Admittedly it is very difficult to determine with even the remotest degree of accuracy how the financial year will end, for the bulk of the year's income tax and sur-tax has still to be collected, while, as previous experience has shown, much can happen during the last quarter of the year. Still, it is at this time of year that the necessary decisions regarding next year's expenditure are being taken, and this in itself is justification for an examination of the position at this early date.

It is convenient to begin with revenue. Receipts to December 31st, 1932, amounted to £404·3 millions, compared with £394·5 millions to December 31st, 1931. Receipts for the last quarter of 1931–32 amounted to £376·4 millions, of which £265·9 millions consisted of income tax and sur-tax. This year Estate Duties, Customs and Excise are coming in well, but the Chancellor budgeted for a short-fall of £38·0 millions in income tax and sur-tax of which £14·2 millions has occurred to date. Moreover, it can hardly be expected that last spring's unprecedented effort by the direct tax-payer can be or will be repeated. It may therefore be reasonable to forecast income tax and sur-tax receipts for the coming quarter at about £240 millions and other revenue at £120 millions. This suggests a possible total revenue for the quarter of £360 millions and for the complete year of £765 millions. As the Chancellor budgeted for a revenue of £766 millions it looks as if his estimate might just be realized.

Expenditure may conveniently be divided into four parts. First comes national debt interest. So far only £233·7 millions has been required for 1932–33, against £252·3 millions for the first three-quarters of 1931–32, but it should be noted that the bulk of the saving of £18·6 millions arises from the operation of the Hoover moratorium; for in 1931–32 one half-year's instalment of interest on the American debt was paid in June, 1931, while in December, 1932, the payment to the United States has been excluded from ordinary expenditure. This shows that the savings consequent upon low money rates and

War Loan conversion are only just beginning to operate. For the whole year 1931–32 debt interest required £289·5 millions. It may not be unreasonable to forecast a corresponding figure of £265 millions for 1932–33.

The next portion is expenditure upon supply services, and on consolidated fund services other than national debt interest and management. This expenditure for the first three-quarters of 1932–33 has amounted to £331·9 millions against a comparable figure of £322·4 millions for 1931–32. Actual expenditure for the whole of 1931–32 under these headings amounted to £448·6 millions, while, including supplementary estimates, expenditure of this kind for the whole of 1932–33 is estimated at £478·9 millions. Setting the actual increase to date of only £9·5 millions against the estimated increase for the whole year of £30·0 millions, it appears that some economies on the original budget estimates have already been effected, but in the absence of any further information it is very difficult to forecast the final result for the current year, especially as such calculations are beset with numerous pit-falls. If a figure of £470–480 millions for the whole of 1932–33 is suggested, it must be regarded as tentative in the extreme.

Sinking Fund allocations amounted to £32·5 millions in 1931–32, of which £23·4 millions had been allotted up to December 31st, 1931. The estimate for 1932–33 was £32·5 millions, but only £14·4 millions had been allotted up to December 31st, 1932. Owing to the recent rise in the price of many Government Securities above the point at which their statutory sinking funds apply, substantial savings have proved practicable in respect of these statutory sinking funds. Apparently the money so saved has been kept in hand and has not yet been allotted to the free sinking fund for the general redemption of debt.

Finally comes the American debt instalment paid on December 15th last, and amounting to £29 millions. So far this has been shown as a separate item in the returns of Government expenditure, but the Chancellor stated that he proposed to offset it partly against the savings of interest arising from the present low cost of Treasury bills and partly from savings on the statutory sinking funds referred to above. If so, it would appear sounder finance to allot a due proportion of this amount to the item "national debt interest" and the balance to the sinking fund. In any case, the money has been

paid, and so it is difficult to justify its exclusion from the expenditure of the current year.

Placing 1932–33 debt interest at £265 millions, supply and other consolidated fund expenditure at £470–480 millions, the sinking fund at say £20 millions (again a very tentative figure) and the American debt payment at £29 millions, the year's expenditure comes out roughly in the neighbourhood of £785 to £795 millions. Comparing this with a possible revenue of £765 millions this suggests a deficit of £20 to £30 millions, on the assumption that the American debt payment should be included in the accounts. Otherwise the year's accounts should roughly balance, though only at the cost of reducing the sinking fund allocations below their normal level.

Whatever the degree of accuracy of these calculations it is clear that the situation cannot be viewed with complacency. First of all, unless far more drastic economies are effected, there is obviously no margin for a reduction in taxation, and this by itself is a sufficiently serious conclusion to have reached. There is, however, a second point which for a moment we desire to stress, and that is that the balance of the budget is once more in doubt.

Now, since September, 1931, we have successfully operated sterling as a stable currency independent of gold, and, in fact, there is considerable evidence that during this period sterling commodity prices have fluctuated in less degree than have commodity prices expressed in a gold currency. This in itself is no mean achievement, but its continuance depends upon the maintenance of several basic conditions, and the chief of these is a balanced British budget. This elementary fact was well appreciated by the British public in the crisis days of the autumn of 1931.

Allied with the necessity for a balanced budget comes the size of the floating debt, for while under recent conditions the money market has been able to take up Treasury bills in almost unparalleled quantities, it could do so only because the conditions were abnormal; it must not be assumed that such conditions will persist indefinitely, or even that it is desirable that they should. Now, during the twelve months ended December 31st, 1932, the floating debt increased by £250 millions. By far the greater part of this increase was due to the establishment of the Exchange Equalization Account, and there are easy explanations for the rest of the increase. Even so,

the size of the floating debt at present requires careful scrutiny to see that it does not begin to approach the point entailing a risk of uncontrollable inflation. We must emphasize that we are still a long way off that point as yet, but we equally urge that we must continually be on our guard, and not let matters drift as we did two years ago. It is not sufficient to have balanced the budget. We must keep it balanced.

The Government is, therefore, once more faced with the task of exercising further drastic economy, and it is a task of an unenviable character. On the one hand, economies that simply lead to increased unemployment and a further accentuation of the depression in the industries directly affected are at the best incomplete economies, for the initial saving they permit is neutralized by the increased cost of unemployment relief and by a further shrinkage in the taxable capacity of the nation. On the other hand, the budget must be kept balanced, and some relief to the tax-payer must be granted before long, or no branch of industry will be able to recover or to provide employment.

In short, the Government must discriminate accurately and ruthlessly between productive and unproductive expenditure on lines such as those discussed by Professor Clay in the December issue of the Review. The task is admittedly difficult, but it ought not to prove insuperable.

## Notes of the Month

*The Money Market.*—December was an unusually eventful month. It began with the big turnover of funds between the Government and investors arising from the redemption of dissented War Loan, 4½ per cent. War Loan, and the 1932–34 Treasury bonds, and the payment of the calls then due upon the 2 per cent. Treasury bonds and 3 per cent. Conversion Loan issued a few weeks before. Excluding the half-year War Loan interest payment of £50 millions, the Government paid out £226 millions and received £228 millions, thus successfully achieving an almost complete balance and causing practically no disturbance to the money market. On December 15th, the American war debt instalment was paid. To cover this operation, the Government bought from the Bank of England gold to the value of £28·9 millions at the current market price, paying for it by the issue of an equivalent quantity of Treasury bills. The Bank only took credit for this gold at its par value of £19·6 millions, and Treasury bills amounting to £9·3 millions, representing the difference between the par and market value of the gold were in accordance with the 1932 Finance Act surrendered by the Bank to the Exchange Equalization Account. No increase was made in the fiduciary note issue, and so the Issue Department lost £19·6 millions of gold and had to retire £19·6 millions of notes. These were taken from the Banking Department, which received the Bank's Treasury bills to the same amount in exchange. There was consequently a reduction of £19·6 millions in the Banking Department's Reserve of notes and coin, and an equivalent increase in its holdings of Government Securities as a result of this operation alone. Meanwhile, fresh notes had been going into circulation in order to finance Christmas trade, until by December 28th, the note circulation had risen to £371·2 millions, and the Reserve had fallen to £24·4 millions. This reduced the Proportion of the Banking Department's Reserve to deposits to 16·8 per cent., a figure which though low was high enough to provide ample security, as had been shown by previous post-war experience. The end of the year witnessed market borrowing from the Bank of England on the usual scale. Discount rates remained at under 1 per cent. for Treasury bills during early December, but the Bank's gold sale on December 15th and a simultaneous warning by the Chancellor that some increase must be expected in

consequence, drove the hot Treasury bill rate up to $1\frac{3}{16}$ and $1\frac{1}{8}$ per cent. for the last half of the month.. Early in January rates once more became easier.

*The Foreign Exchanges.*—Sterling recovered in New York during December from the record low level of \$3·14½ to which it had fallen at the beginning of the month, and by early January was quoted at \$3·34¼. The leading European gold exchanges moved upwards in sympathy, and the Paris rate indeed showed some weakness during the few days immediately succeeding M. Herriot's resignation. While it is still too early to be certain, there are signs that the period of autumn pressure upon sterling, due to seasonal and other causes, had reached its end by Christmas. The main event of the past few weeks was the suspension of the gold standard by South Africa. Political events towards the end of December gave rise to the impression that the abandonment of the gold standard was imminent and that the South African pound, then quoted at £70 5s. per £100 sterling, would at once move to parity with sterling. A rapid efflux of money from South Africa to London followed, which quickly attained embarrassing dimensions. The Government was, therefore, obliged to relieve the South African Reserve Bank its duty to redeem its notes in gold coin. For a few days exchange dealings were suspended, but by the New Year the London offices of the South African banks were able to quote rates for sales of South African pounds first at £90 and later at £95 per £100 sterling. It was not immediately possible to quote buying rates. Australian exchange rate remains at £125, but the New Zealand rate was raised from £110 to £125 on January 19th.

*The Stock Exchange.*—Interest in the gilt-edged market waned during December, but prices remained steady with a tendency to firmness immediately after the end of the year. Some improvement in German sterling loans occurred early in the month. Home railway stocks underwent a marked improvement during the last half of December, and several spectacular increases were recorded. The relatively good results shown by the 1932 Christmas traffic returns, in comparison with those for Christmas, 1931, were largely responsible for this sudden advance, but it is not easy to see any permanent justification for so sharp a rise in prices as actually took place, and there has since been a pronounced reaction. Home industrial shares generally have also attracted greater interest during

the last few weeks, and most prices are higher than at the beginning of December. In the more specialized markets, South African gold mining shares were subject to considerable fluctuations as the result of the suspension of the gold standard in the Dominion. Shares in low-grade mines underwent some improvement, but there was a reaction in high-grade mining shares.

*Overseas Trade.*—The December trade returns differed little from those for November, exports being a trifle higher and imports fractionally lower. Their main interest, therefore, lies in the fact that they complete the year, and make it possible to see how we stand in comparison with 1931. The results are summarised below:—

| Description. | Year 1931. | Year 1932. | Increase (+) or Decrease (−). |
|---|---|---|---|
| | £ mn. | £ mn. | £ mn. |
| Total Imports ... ... ... ... | 861·3 | 703·1 | −158·2 |
| Retained Imports ... ... ... | 797·4 | 652·2 | −145·2 |
| Raw Material Imports ... ... ... | 173·0 | 164·5 | − 8·5 |
| Manufactured Goods, Imports... ... | 261·7 | 157·7 | −104·0 |
| Total Exports, British Goods ... ... | 390·6 | 365·1 | − 25·5 |
| Coal Exports ... ... ... ... | 34·7 | 31·6 | − 3·1 |
| Iron and Steel Exports ... ... ... | 30·4 | 28·0 | − 2·4 |
| Cotton Exports ... ... ... ... | 56·6 | 62·8 | + 6·2 |
| British Manufactured Goods, Exports... | 292·0 | 275·6 | − 16·4 |
| Re-Exports ... ... ... ... | 63·9 | 50·9 | − 13·0 |
| Total Exports ... ... ... ... | 454·5 | 416·0 | − 38·5 |
| Visible Trade Balance ... ... ... | −406·8 | −287·1 | +119·7 |

It is obvious that there has been a great improvement in our position. Retained imports have been reduced by £145·2 millions, while exports of British goods have only fallen by £25·5 millions. As a result, the adverse trade balance for the year has contracted by £119·7 millions, or by more than the total adverse balance of payments for 1931. As some further contraction in "invisible" exports—i.e. payments for services and interest receipts from overseas—must have occurred in 1932, there is still likely to be a final adverse balance for the year, but at least it will not be so serious as in 1931.

# Home Reports

## The Industrial Situation

The reports of industrial conditions at home and abroad, which appear on the following pages, relate to the period immediately before Christmas and show that, apart from the normal holiday and year-end recessions in business, some progress had been made. Since then activity in many home industries has been interrupted by holidays and stocktaking, but a better tone is in evidence and in some instances the improvement is maintained. The overseas trade returns for 1932 present a much healthier picture than those of the previous year, and while sterling prices have been subject to wide fluctuations during the past twelve months, the steady fall of preceding years has been arrested. At the same time the major world economic problems remain unsettled, and so under present conditions it is difficult to envisage more than a very slow and moderate improvement.

## Agriculture

*England and Wales.*—Work on the land is well ahead except in the North-west, and autumn-sown corn appears to be strong and healthy. The production of potatoes is considerably larger than last year. The size and quality of the tubers are variable and some disease has been reported among King Edwards. Cattle and sheep are in fair condition, and milk yields up to average. Supplies of winter keep should prove sufficient.

*Scotland.*—Tillage is fairly well forward for the season, but the sowing of winter wheat has been retarded by wet weather. Increases in the acreage under wheat are reported from many districts ranging up to 75 per cent. in the County of Stirling. The trade for fat cattle has been slightly better at the leading livestock markets, while the advance in the price of sheep has been maintained. Supplies of store cattle have been small but rates have not improved much. In the grain markets trade has been steady, but potatoes continue at an unremunerative level.

## Coal

*Hull.*—Demand has improved and collieries are well placed for practically all grades.

*Newcastle-upon-Tyne.*—The market is strong, and although the Northumberland collieries have had two additions to their quota, these were readily absorbed. Durham coal best bunkers have been in good demand and are well sold ahead.

*Sheffield.*—Trade has improved and there is a marked revival in export business, while industrial supplies are in greater demand. Gas coal is moving more freely, and house coal is in fairly good request.

*Cardiff.*—Owing to the increases made in the North of England quotas, the overflow of business which it was hoped would come to South Wales did not materialize. Dry large coals are in good demand; otherwise supplies are plentiful at minimum figures. The sized coal position is still good for low volatile types, while the scarcity of washed small is still pronounced. Best anthracite is in strong demand but second qualities are slightly easier. Most business, however, is of a retail character, with very little forward demand.

*Newport.*—Foreign shipments during November showed an increase of 22,000 tons as compared with October, but the first two weeks of December showed a decline.

*Swansea.*—Best anthracites are still active and some of the lower grades have been in better request owing to lack of the best brands. Seasonal demands have improved trade in steam coals.

*East of Scotland.*—In both Fife and the Lothians demand continues good. Prices are being maintained and in some cases have improved.

*Glasgow.*—The collieries have been actively engaged in home and shipping orders, and round coals and washed nuts became scarce in spite of increases of 300,000 and 150,000 tons respectively in the quota production. Exporters paid high prices for the limited quantity available.

## Iron and Steel

*Birmingham.*—Home manufacturers are getting more of the business offered, but the large amount of foreign material imported early in the year has not yet been entirely used up. Stocks, however, are being reduced, and an improvement is looked for in the new year.

*Sheffield.*—The general tone is encouraging and the November improvement was well maintained, practically all grades being better placed than they have been for some considerable time. The November overseas trade returns show a drop in iron and steel imports to less than 58,000 tons, this being the lowest total recorded for many years.

*Tees-side.*—Apart from some recession due to the holidays, the improvement of the autumn months has been maintained. Consumers are displaying a greater disposition to buy ahead and certain kinds of pig-iron have been sold for delivery over the first half of 1933. Makers of Cleveland iron have very small stocks and current requirements are sufficient to absorb production, so that any increased demand would mean the re-starting of some blast furnaces. The heavy stocks of hæmatite iron are diminishing and prices are firm. There is an improved demand for semi-finished steel and slightly more activity in structural materials is noticeable, but there is still a shortage of work in most sections.

*Newport.*—Imports of steel fell heavily in November and were still falling at the beginning of December. There have been no imports of ore. Exports have shown some improvement, as compared with last year.

*Swansea.*—The tinplate trade is still working at 60 per cent. of capacity but prices are not quite so firm, as works with fair stocks of foreign bars have lately re-started after long idleness and are anxious to fill up their order books. Only 396 tons of foreign bars were imported into South Wales in November, and the outlook is fairly satisfactory.

*Glasgow.*—The approach of the new year holidays during which stocks are kept as low as possible for inventory purposes, restricted activity somewhat during December. In the hope of attracting buyers, blast-furnace owners have reduced the price of hæmatite to 66s. per ton, but business showed no improvement and demand was satisfied mainly by withdrawals from stocks. Only two furnaces were in blast at the end of the year in Scotland.

## Engineering

*Birmingham.*—The light car works are reasonably busy and there is a general improvement in the export trade. The tone is optimistic and a feeling of confidence exists among

leading firms. The sale of motor cycles has improved since last year, but the industry has been badly hit by the development of the cheap light car and by the unemployment in industrial areas. The electrical industry is better situated than most trades and local firms engaged in the radio business have been fairly busy.

*Luton.*—The motor trade is very busy in all departments, but hydraulic engineering is very quiet with only a few enquiries. General engineers are busy and have contracts in hand for at least two or three months.

*Sheffield.*—Contracts received from Russia have helped the trades and on the whole local conditions have improved. Some factories engaged in the tool trade are working at full pressure and it has been necessary to start a night shift in order to keep pace with deliveries.

*Wolverhampton.*—The tone is dull in most branches, the heavy section feeling the depression most. Makers of light castings have improved their position. The local motor industry is unchanged.

*Glasgow.*—There was practically no improvement in the marine branch. One well-known firm, however, was fairly well employed and booked a few more orders, and it is interesting to note that it has now become licensee in Britain for the Ostaverken (Swedish) system of steam engine economy. Other branches were quiet.

## Metal and Hardware Trades

*Birmingham.*—Business in metal smallwares is quiet, being affected as usual by the Christmas season. In brass and copper tubes home trade is unchanged but exports have improved slightly, owing to the lower sterling exchange and further cuts in production costs.

*Sheffield.*—The seasonal demand for cutlery and plate has been below normal, but there is still a good deal of work on hand for the cheaper class of goods. The scissor section is considerably better placed, manufacturers having at last succeeded in meeting foreign competition both as regards price and quality. Safety-razor blade makers are still busy.

*Wolverhampton.*—Hardware exports are greater than a year ago, and there is some improvement in the lock trade.

## Cotton

*Liverpool.*—A December Bureau forecast, at 12,727,000 bales, or some 780,000 bales above the previous figure, did little to disturb a market which, faced with enormous supplies—estimated by Garside, for all growths, at 40½ million bales—and overshadowed by the problem of debt settlements, has seen little trading, and at the New Year values stood at around 5d. for all positions. The market has lacked buying power to offset hedging. American consumption for November was returned at 504,000 bales, but doubt is expressed as to what proportion of this represents new or current contracts. Manchester advices have contributed nothing by way of stimulus to sentiment, and fluctuations in sterling have had an unsettling effect on business. Except for the cheaper stapled varieties of American, little trade has been done in the raw material, and that chiefly to cover the immediate requirements of spinners. The tone of the market, however, though quiet, is influenced by the belief that any favourable development in the political and economic sphere should lead to some improvement in the low prices now obtaining.

## Wool

*Bradford.*—The firm prices obtained at the December London wool sales and later in the Dominions were reflected in the Bradford market, and it is very difficult to get concessions. At the same time it is hard for spinners to obtain corresponding prices for yarn, owing to the smaller requirements of the hosiery trade.

*Huddersfield.*—There was a slight falling-off of business in the woollen section, probably owing to the approach of the holidays. Unsettled conditions abroad have restricted business in the worsted section.

*Hawick.*—The border tweed trade is dull with practically all factories on short time. No immediate improvement is expected, foreign business being particularly quiet and home orders mostly small. The hosiery and underwear section is better, but the fancy goods trade is quieter and dyers and spinners are still short of orders. Wool prices are about normal for the season.

## Other Textiles

*Belfast.*—Demand for Irish flax has been keen for all classes at a very substantial increase in price compared with last season. This is partly due to the reduced acreage under flax and partly to the disappointing yields. Yarn sales have increased in volume, but the advance in raw flax prices is making it very difficult for spinners to secure prices commensurate with their costs. Still, there has been a fair amount of Continental buying of Irish yarn. Adverse movements in sterling and the higher prices of all classes of raw material have intensified difficulties. Weavers are experiencing more activity and more general interest is being taken. Merchants are finding a decided improvement in orders received for cambric and sheers, but general business in housekeeping goods is no better.

*Dundee.*—Raw jute values have recently weakened, but even the lowest prices reached do not appear to interest spinners. There is, however, an improvement in the jute cloth section.

*Dunfermline.*—Conditions are still very difficult in the Fifeshire linen trade and the position of the raw material remains a disturbing feature. There has been a slight seasonal enquiry in the home market, but foreign business is slow in coming forward in spite of the autumn depreciation of sterling.

## Clothing

*Bristol.*—Reports from travellers intimate that the outlook appears to be more promising, but current business is no better.

*Leeds.*—The overcoat section is losing business as a result of the mild weather, but otherwise business is good.

*Luton.*—The ladies' hat trade is very dull. Buying for the spring season has scarcely started.

## Leather and Boots

*Bristol.*—There is a general feeling that business has improved slightly, and a small but steady trade with the Continent is reported in some quarters. The volume of business in the leather trade is unchanged.

*Northampton.*—The demand for boots and shoes has shown a slight decrease, and many of the bigger buyers are reported to

be withholding their orders until the new year. Tanners and leather factors are not expecting any improvement until January, as apart from the holidays, the majority of boot and shoe manufacturers will be stocktaking at the end of the year.

## Shipping

*Hull.*—Tonnage is in ample supply and rates show no change.

*Liverpool.*—Enquiry for tonnage from the River Plate has shown increased activity. Australian chartering also has revived to some extent. A better tone has prevailed for outward coal tonnage and values elsewhere have been well maintained.

*Newcastle-on-Tyne.*—Chartering is quietly steady, but in some cases the market has been adversely affected by difficulties in arranging outward cargoes. Mediterranean rates are steady.

*Cardiff.*—The market shows no signs of improvement, but rates are steady.

*Newport.*—Rates are fairly steady at a very low level.

*East of Scotland.*—Lack of cargoes has been accentuated by the increased competition by foreign firms, who have been purchasing old British vessels at break-up prices.

*Glasgow.*—Business in coal freights has been small owing to the scarcity of coal and the fixing of tonnage on a considerable scale abroad. Rates were, therefore, largely nominal, but steady to firm whenever tested. Loadings at the port were heavy, and when complete statistics for the year are available, it will be found that shipments of coal from Scotland are something like 1,100,000 tons in excess of the quantity dealt with last year.

## Foodstuffs

*Liverpool.*—The imposition of duties on foreign wheat gave some impetus to demand for Australian and Canadian wheat, and, in the latter part of November, good sales were negotiated. Trading as a whole has been very restricted in volume. Crop forecasts from Australia and the Argentine (showing together an estimated exportable surplus in the region of 38 million quarters) have, with the prevailing uncertainty in markets

generally, caused a marked decline, and liquidation has resulted in quotations at some 3d. a cental lower than the prices recorded in November. Pressure to sell by shippers of Plata and Canadian has been an unsteadying feature of the market, in which the arrivals of "actual" continue definitely small. Reports of famine conditions in Russia tend to explain the non-competitive policy of that country, and her importance as a seller this season is still regarded as negligible. The Orient continues to be a good customer of Australia and sales in that quarter have been on a very fair scale. A remarkable feature of recent weeks has been the disposition of holders to ignore the weakness of sterling and so to adjust their offers that trading has been done virtually on our own terms. There has been no movement in the price of maize, and sustained Continental demand appears to be large enough easily to absorb present shipments. The quotation for Yellow La Plata remains constant at 4s. 1d. Continental bacon continued fairly steady, owing to the large supplies received prior to the introduction of the quota system, and prices have not shown any material advance. The trade in American hams proved quiet and easy, and lard was in short supply and firm. Heavy imports of Australian and New Zealand butter during the month resulted in some reduction of prices. Under the circumstances, trading was restricted, but at the close the low retail rates produced a healthy consumptive demand. Similar conditions ruled in regard to cheese; demand was slow throughout, with prices tending downwards. In the canned goods section, meats were a rather better market at unchanged rates, and fruits in good demand at slightly enhanced prices.

## Fishing

*Brixham.*—Owing to adverse weather conditions landings during November were considerably below average. Prices did not respond to the shortage but remained normal.

*Lowestoft.*—Wet fish landings in England and Wales amounted during November to 95,000 tons, valued at £1,234,000, against 79,000 tons, valued at £1,132,000 in November, 1931. The herring curing season in East Anglia came to an end in the middle of November with a total cure of 331,000 barrels, or about 100,000 barrels less than a year earlier. There was a keen demand from Germany.

*Penzance.*—Fishing has not been good. Herring appear to be late in visiting Cornish waters, and the gales prevented the local boats from fishing. Plymouth has now made a start, and it looks as if the season will be short but good.

*Scotland.*—Only a few of the Scottish fleet had any real success at Lowestoft and Yarmouth this year, and many vessels returned at the end of November considerably in debt. Line fishing has been light owing to the stormy weather and catches have commanded good prices.

## Other Industries

*Carpets.*—Kidderminster reports a very active demand for Axminster carpets and spool Axminster rugs, and some firms are working overtime. Wilton carpets are selling less freely, and a considerable quantity of plain carpet is being made for the motor trade. Trade with Australia is steadily improving, and good business is being done with Scandinavia and Holland. Imports of carpets into England have greatly increased since the removal of the 50 per cent. duty.

*China Clay.*—St. Austell reports some signs of a revival, but unemployment is as yet no better.

*Paper-making and Printing.*—There is still no improvement in paper-making at Edinburgh, for very few encouraging orders have been received, and current demand from both at home and abroad is easily met. There has been some seasonal improvement in the printing trade, but the outlook is not hopeful.

*Pottery.*—Longton reports business to be quiet in both the china and earthenware sections, and activity is confined to the very cheap classes of goods. Many works closed down early for Christmas, but the tone is a little better than a year ago.

*Timber.*—Hull states that there was a fair demand for building timbers and floorings at slightly better prices. Demand for case-woods is poor. Forward buying was held up pending the conclusion of the 1933 contract for Russian goods. Saw and planing mills are working short time. Newport pitwood imports improved during November, but fell away again during the first fortnight of December.

# Overseas Reports

## Australia

*From the National Bank of Australasia Limited*

Internal trade has maintained its earlier improvement, but further progress is being retarded by the low level of prices, especially in foreign markets. Still, exports are fully maintained and imports are increasing. For the year ended October there was a favourable trade balance of £36 millions sterling. Wheat crop estimates are somewhat lighter, except in New South Wales, but a larger harvest is virtually assured. Butter production is heavy, and conditions favour an extension of the export season. Wool sales to date amount to over one million bales, but prices are below production costs.

## Canada

*From the Imperial Bank of Canada*

The upward trend of business which was in evidence during the summer has not been maintained, and the fall of wheat prices to new low levels has had an adverse effect upon the purchasing power of the farming community. Other wholesale prices, however, remain stable with the exception of newsprint. Gold production is steadily increasing, and now provides an important source of income to the Dominion. Industrial operations are mainly on a low level, but the textile mills and boot and shoe factories are fairly active. Export trade has increased in volume with the heavy movement of the new wheat crop, and the trade balance is now substantially on the right side.

## India

*Bombay.*—Cotton prices remained fairly steady until the end of November, when they became slightly easier in sympathy with those for American cotton. Japan was a good buyer, but local demand was small. The new crop promised to be of exceptionally good quality. Retail sales of Manchester goods showed some improvement, and there was also a slight increase in the demand for Indian piece-goods, but Japanese competition remains very keen.

*Calcutta.*—The jute market has been easy, and business in loose jute very limited. A fair shipping enquiry for baled jute arose early in December. In the tea market, prices generally had a weaker tendency, but a few good liquoring autumnal invoices sold well, and there was strong competition for the small amount of good Darjeeling tea on offer. The November crop return was 5,250,000 lbs. ahead of that for November, 1931, bringing the total excess over last season to 28,750,000 lbs.

*Rangoon.*—Business in rice has fallen to a record low level. Prices of old crop rice have steadily declined, while dealings in the new crop are practically confined to speculators. There is very little change in the timber industry. Stocks of hardware have now been reduced to low levels, but dealers are unable to consider forward purchases owing to the prevailing lack of demand and general uncertainty.

## Irish Free State

Notwithstanding the continuance of the tariff dispute with Great Britain, fairs and markets are well attended and are increasing in size, this improvement being attributed to the export bounties granted by the Government. Prices remain exceedingly low, and farming profits are reduced to a corresponding extent, but it is pointed out that farmers have always been able to obtain long-dated credit and that there is, therefore, no reason why they should not be able to carry on for a considerable period under existing conditions. Dealers in British manufactured goods are far more acutely affected by the dispute, for trade in motors and luxury articles has been brought practically to a standstill by the heavy duties.

## France

*From Lloyds & National Provincial Foreign Bank Limited*

Comparing the first eleven months of 1931 and 1932, imports have fallen by Frs.12,261 millions and exports by Frs.10,308 millions. The adverse visible trade balance has been reduced from Frs.11,090 to Frs.9,137 millions. Unemployment remains practically unchanged, the December figure being 255,411. Notwithstanding the unsettlement caused by the fall of M. Herriot's Government, the Bourse has remained very steady, but the volume of business is very limited, and the public seem content to allow their funds to lie idle. Raw material prices are mainly unchanged.

*Bordeaux.*—The wine market is buoyant in the hope of business with the United States being re-opened at an early date. Bottled wines are becoming scarce. Business in the resin market is always quiet at this period of the year but the undertone is firm.

*Le Havre.*—The coffee market remains depressed, and the uncertainty has been increased by the passage of temporary legislation with the object of preventing abnormal importations of coffee pending the passage of the budget. The tone of the cotton market has been improved by good reports from the spinning districts, but the market is still disturbed by the existence of three-year contracts effected a year ago and still being carried in the form of futures.

*Lille.*—There has been some improvement in the textile industries. Working hours have been increased, and many mills are now working five days a week. Jute, hemp and flax prices hardened during early December, and flax prices now stand so high as to cause some risk of a check to business. There is a good demand for cotton yarn, especially from carpet factories, some of which are having to work extra time.

*Roubaix.*—Business in the wool trades has been active and the turnover surprisingly large. Combers are better placed than they have been for some months, and while the average output of tops exceeds 65 per cent. of capacity, some combers are fully employed. Spinners of hosiery yarns are working full time and are booked up for three months ahead. Other spinners are less well employed, but even so have several months' orders in hand, though their rate of output does not exceed 50 per cent. of capacity. Weavers are also busier, and less short time is being worked. The improvement is confined to home demand, and the export trade remains disappointing.

*Marseilles.*—The ground-nuts market has been very active and immediate and near deliveries now command a premium of £1 per ton. There is a steady demand for copra at unchanged prices. Olive oil weakened in price during November, largely owing to the abundant Tunisian crop.

## Belgium

*Antwerp.*—Produce markets have been quiet, and confidence is still lacking. Coffee has been weak and rubber nominal. The grain market has been a little firmer and more

active, and oil-seeds have also improved on recent South American reports that the crops are not up to previous expectations.

*Brussels.*—Demand for house coal remained satisfactory until Christmas and the reduced production of industrial fuel was easily absorbed. Iron and steel business was quieter and prices were difficult to maintain. Only 33 out of 62 furnaces are in blast. Orders for plate and sheet glass are satisfactory, and output of crystal and table glass amounts to 60 per cent. Cement manufacturers complain of a lack of export orders. The recent slight improvement in the cotton industry has been maintained.

## Germany

Apart from a further increase in steel production, from 20,100 tons in October to 22,700 tons in November, the recent slight improvement in trade has hardly been maintained, though it is conceivable that no more than the normal pre-Christmas recession has taken place. Unemployment increased during November from 5,109,000 to 5,385,000, while car-loadings fell from 115,200 for the first week of November to 105,300 for the first week of December. There was also a decrease during November from 283,000 tons to 269,600 tons in the weekly figures of coal production, together with a slight set-back in the textile industries. Wholesale prices have had a slight downward trend since the middle of November.

## Holland

While the general financial situation remains sound, industrial activity continues to decline, and many undertakings are now working short time. Shipbuilding has fallen to half the volume of work in hand last year, even though that volume was far below normal. The production of pig-iron has also declined, but the wool textile industry has derived some relief from import quotas recently imposed. Activity in the rayon industry has declined. The most promising trades are those of electric bulb and wireless apparatus manufacture, and in these there has lately been some improvement in employment.

## Norway

The Norwegian and foreign whaling companies have now concluded arrangements for the sale of the whole of the 1932–33

production of whale oil at a price of £13 per ton. It is estimated that Norway's share of the proceeds of this sale will amount to Kr.50 millions. Good progress has been made with the formation of the oil tankers pool (Tankskib centralen) announced last summer, and the pool was to become effective as from January 1st, 1933. Manufacturers of kraft paper in Norway, Sweden and Denmark have formed an association, called Scankraft, with the object of fixing prices so as to establish stable market conditions.

## Sweden

The timber trade has been definitely more active, and sales have become more numerous. Prices, however, were weak mainly owing to the autumn depreciation of sterling. Sales to December 15th amounted to 710,000 standards. As regards wood pulp, prices of most kinds have begun to stiffen as the result of international agreements for the restriction of production which have recently been arranged. There has been a particularly good demand for mechanical pulp for both immediate and forward delivery. The paper market has been depressed by the fall in sterling.

## Denmark

The new import control bill has passed through Parliament. It provides that import licenses are required for categories of goods comprising about two-thirds of Denmark's import trade, but every importer is entitled to receive licenses enabling him to import goods up to at least 45 per cent. of the quantities imported by him in 1931. This measure represents a modification of the restrictions previously in force. Notwithstanding the great pressure of Australian and New Zealand butter on the English market, Danish butter prices have been well maintained, and Continental markets have lately absorbed rather greater quantities. Bacon prices are slightly higher, and the factories decided not to accept deliveries of swine during the last week of the year.

## Switzerland

*From Lloyds & National Provincial Foreign Bank Limited*

November exports showed a decrease of Frs.2·1 millions below the October figures, but there was a marked improvement

in exports of watches, colours, dyes and aluminium. There was some seasonal increase in imports, mainly in those of cereals and cotton goods. Employment has improved in the watch trade and in certain branches of the textile industries, but there has been a marked increase in unemployment in the building, metal and machinery industries. Some anxiety is felt by hotel-keepers regarding prospects for the winter season.

## Spain

Imports for the first ten months of 1932 totalled 799 million gold pesetas and exports 594 million gold pesetas, the visible adverse balance being 205 million gold pesetas against 165 gold pesetas for the same period in 1931. A late vintage is reported from most parts of the country. The crop is below normal and mediocre in quality. The wheat harvest is stated to be the largest for many years both in quantity and in average yield. The orange and olive crops were assisted by plentiful rain, and the favourable climatic conditions which have prevailed this autumn in Andalusia, combined with the seasonal demand for labour, have temporarily solved the unemployment problem in the South. Considerable activity in the capital issue market is taking place over the end of the year.

## Morocco

*From the Bank of British West Africa Limited*

Business conditions do not indicate much change, but some improvement is reported in certain directions. Shipments of cereals to France under the third " quota " are now being made. More rain is needed, specially in southern districts, where autumn sowings may otherwise be affected. Retail trade is dull consequent upon the payment now being made of the annual " Tertib " tax; and business generally is apprehensive of possible new taxation needed to balance the next French Zone Budget. Total imports into the French Zone for the first nine months of 1932 are returned at Frs.1,371 millions, and total exports at Frs.495 millions. Imports of green tea from China, soya bean oil, " T " iron, and petrol, all show increases, but only a slight improvement is reported in the export of phosphates, upon which the fiscal revenues depend to an appreciable extent. Budgetary receipts for the same period are returned at just under Frs.293·5 millions, a decline of only

about 10 millions compared with the first nine months of 1931. The general outlook is not discouraging, and, given further rains, a revival of trade is expected.

## United States

Business appears to be just maintained, and the year-end recession in steel production, car-loadings, and other spheres of activity is not quite so pronounced as it was in 1930 and 1931. Sugar prices receded during November. Meltings in the United States from January 1st to November 26th totalled 3,505,000 tons, or 405,000 tons less than in 1931. The 1932 rubber consumption is estimated at only just over 300,000 tons, against 348,986 tons in 1931. Non-ferrous metal prices and markets are irregular. Steel operations during November were equivalent to 18 per cent. of capacity, but had receded to 14 per cent. at the end of the year. Unfilled orders on the books of the United States Steel Corporation fell during November from 1,997,040 to 1,968,301 tons, but remained practically unchanged in December. Cotton ginnings to November 30th were 11,631,000 bales, against a parallel figure of 15,018,000 bales for last year. This season's crop estimate has been reduced to 12,727,000 bales.

## Japan

Exports for the first eleven months of the year amount to Y.1,237,000,000 and imports to Y.1,271,000,000. A fairly high average of cotton imports was maintained in November, while new wool, iron and steel and heavy imports showed an increase. Export trade with China is restricted by the boycott of Japanese goods, but business with other markets has improved with the fall in the yen. There is some evidence that industry has benefited from the depreciated exchange, the consequent expansion of export trade, and the continued low level of money rates, and the future is now viewed with greater confidence.

## Banking

### 1. BANK OF ENGLAND

| Date. | Issue Department. | | Banking Department. | | | | |
|---|---|---|---|---|---|---|---|
| | Gold. | Notes in circulation. | Reserve and Proportion. | | Bankers' Deposits. | Govt. Securities. | Discounts &Advances. |
| 1931. | £ mn. | £ mn. | £ mn. | Per cent. | £ mn. | £ mn. | £ mn. |
| *December 30* ... | *120·7* | *364·2* | *32·2* | *18·4* | *126·4* | *95·3* | *27·3* |
| 1932. | | | | | | | |
| November 30 ... | 139·4 | 358·8 | 56·6 | 41·0 | 90·5 | 68·9 | 11·9 |
| December 7 ... | 139·4 | 365·7 | 49·7 | 33·7 | 104·3 | 85·8 | 11·8 |
| December 14 ... | 139·4 | 372·3 | 43·0 | 33·3 | 86·3 | 74·2 | 11·7 |
| December 21 ... | 119·8 | 370·1 | 25·5 | 18·1 | 98·9 | 99·7 | 11·8 |
| December 28 ... | 119·8 | 371·2 | 24·4 | 16·8 | 102·4 | 102·4 | 18·5 |

### 2. TEN CLEARING BANKS

| Date. | Deposits. | Acceptances. | Cash.* | Call Money. | Bills. | Investments. | Advances. |
|---|---|---|---|---|---|---|---|
| 1931. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| *November* ... ... | *1,706·4* | *102·6* | *220·9* | *109·4* | *240·5* | *299·7* | *900·2* |
| 1932. | | | | | | | |
| June ... ... ... | 1,764·4 | 93·2 | 239·2 | 113·4 | 277·7 | 339·7 | 852·2 |
| July ... ... ... | 1,803·9 | 84·5 | 233·3 | 123·0 | 317·4 | 348·8 | 836·2 |
| August ... ... | 1,850·6 | 78·7 | 233·5 | 117·5 | 374·4 | 368·5 | 816·2 |
| September ... ... | 1,864·9 | 74·8 | 228·7 | 113·7 | 392·2 | 383·0 | 802·7 |
| October ... ... | 1,893·4 | 78·9 | 233·9 | 116·7 | 390·5 | 411·6 | 795·1 |
| November ... ... | 1,898·4 | 83·3 | 235·0 | 116·3 | 391·2 | 425·0 | 785·1 |

* Includes balances with other banks and cheques in course of collection.

### 3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

| Year. | Ratio. | Month. | Ratio. | | | |
|---|---|---|---|---|---|---|
| | | | 1929. | 1930. | 1931. | 1932. |
| | | | % | % | % | % |
| 1902 | 58·2 | January | 46·8 | 45·1 | 45·9 | 46·5 |
| 1914 | 49·9 | February | 45·9 | 44·2 | 45·1 | 44·7 |
| 1919 | 60·7 | March | 45·2 | 44·5 | 45·3 | 44·7 |
| 1920 | 56·7 | April | 44·9 | 45·1 | 45·0 | 45·2 |
| 1921 | 50·7 | May | 44·1 | 44·0 | 44·8 | 45·3 |
| 1925 | 49·6 | June | 44·5 | 44·4 | 45·4 | 45·4 |
| 1926 | 48·6 | July | 45·4 | 44·7 | 45·7 | 46·0 |
| 1927 | 47·4 | August | 45·3 | 44·4 | 45·7 | 45·7 |
| 1928 | 46·4 | September | 45·3 | 44·7 | 45·0 | 45·2 |
| 1929 | 45·2 | October | 45·6 | 44·8 | 45·3 | 45·2 |
| 1930 | 44·7 | November | 44·7 | 44·8 | 45·3 | 45·2 |
| 1931 | 45·4 | December | 45·3 | 46·0 | 46·7 | 46·2 |

# Money, Exchanges and Public Finance

## 1. LONDON AND NEW YORK MONEY RATES

| Date. | London. Bank Rate. | London. 3 Months' discount Rate. | London. Day-to-day Loans. | New York. Re-discount Rate. | New York. 90 Days' eligible Bank acceptances. | New York. Call Money. |
|---|---|---|---|---|---|---|
| 1931. | Per cent. | Per cent. | Per cent. | Per cent. | Per cent. | Per cent. |
| *December* 30 ... | *6* | *5¾—6* | *2—3* | *3½* | *3* | *3* |
| 1932. | | | | | | |
| November 30 ... | 2 | 1 1/16 | ½—1 | 2½ | ⅜ | 1 |
| December 7 ... | 2 | ⅞ | ½—1 | 2½ | ½ | 1 |
| December 14 ... | 2 | 15/16—1 | ½—1 | 2½ | ½ | 1 |
| December 21 ... | 2 | 1 1/16—1⅛ | ½—1 | 2½ | ½ | 1 |
| December 28 ... | 2 | 1⅛ | ½—1 | 2½ | ⅜ | 1 |

## 2. FOREIGN EXCHANGES

| London on | Par. | 1931. Dec. 30. | 1932. Nov. 30. | 1932. Dec. 7. | 1932. Dec. 14. | 1932. Dec. 21. | 1932. Dec. 28. |
|---|---|---|---|---|---|---|---|
| New York ... | $4·866 | 3·39½ | 3·19⅛ | 3·23¼ | 3·28¼ | 3·33 11/16 | 3·33 |
| Montreal ... | $4·866 | 4·15½ | 3·77½ | 3·75¾ | 3·79 | 3·84 | 3·75½ |
| Paris ... ... | Fr. 124·21 | 86 5/16 | 81 11/16 | 82⅜ | 84⅛ | 85⅛ | 85 5/16 |
| Berlin ... ... | Mk. 20·43 | 14·25 | 13·43½ | 13·57½ | 13·79½ | 14·00½ | 14·00 |
| Amsterdam ... | Fl. 12·11 | 8 15/32 | 7·94½ | 8·04½ | 8·17 | 8·31½ | 8·28¾ |
| Brussels ... | Bel. 35 | 24 7/16 | 23 1/32 | 23·32½ | 23 31/32 | 24·12 | 23·97½ |
| Milan ... ... | Li. 92·46 | 66 13/16 | 63 | 63⅛ | 64 1/16 | 65 5/16 | 65 |
| Berne ... ... | Fr. 25·22½ | 17 7/16 | 16·60½ | 16·79½ | 17·06 | 17·33½ | 17·30 |
| Stockholm ... | Kr. 18·16 | 17 15/16 | 18·32½ | 18·32 | 18·32½ | 18·32½ | 18·30½ |
| Madrid ... | Ptas. 25·22½ | 40¼ | 39⅛ | 39 11/16 | 40 1/16 | 40 31/32 | 40 13/16 |
| Vienna ... | Sch. 34·58½ | 29½* | 27½* | 27½* | 27½* | 28½* | 28½* |
| Prague ... | Kr. 164·25 | 114½ | 107½ | 109 | 110½ | 112½ | 112⅝ |
| Buenos Aires ... | 47·62d. | 40⅜ | 44⅛† | 43⅛† | 43† | 42¼† | 42¼† |
| Rio de Janeiro | 5·89d. | 4¼ | 5⅜† | 5 5/16† | 5⅛† | 5 15/32† | 5 15/32† |
| Valparaiso ... | Pes. 40 | 28·50 | 52½† | 53¼† | 54† | 55† | 55† |
| Bombay ... | 18d. | 18 5/32 | 18 5/16 | 18 5/16 | 18 5/16 | 18 5/32 | 18 5/16 |
| Hong Kong ... | —d. | 17⅜ | 16½ | 16½ | 15⅝ | 15⅝ | 15⅜ |
| Shanghai ... | —d. | 23⅜ | 21⅜ | 21½ | 20⅜ | 20¼ | 19⅝ |

* Nominal. † Official rate.

## 3. PUBLIC REVENUE AND EXPENDITURE

| Revenue. | To Dec. 31, 1932. | To Dec. 31, 1931. | Expenditure. | To Dec. 31, 1932. | To Dec. 31, 1931. |
|---|---|---|---|---|---|
| | £ mn. | £ mn. | | £ mn. | £ mn. |
| Income Tax ... | 68·6 | 76·5 | Nat. Debt Service ... ... | 233·7 | 252·3 |
| Surtax ... ... | 15·2 | 21·6 | Northern Ireland Payments... | 4·3 | 3·9 |
| Estate Duties ... | 56·8 | 48·4 | Other Cons. Fund Services... | 2·2 | 2·1 |
| Stamps ... ... | 11·6 | 10·4 | Supply Services ... ... | 325·5 | 316·6 |
| Customs ... | 127·2 | 100·8 | Ordinary Expenditure ... | 565·7 | 574·9 |
| Excise ... ... | 94·2 | 90·9 | Sinking Fund ... ... | 14·4 | 23·4 |
| Tax Revenue ... | 375·4 | 350·8 | Self-Balancing Expenditure ... | 51·5 | 50·2 |
| Non-Tax Revenue | 28·9 | 43·7 | Payment to U.S. Government, December 15, 1932 ... | 29·0 | — |
| Ordinary Revenue | 404·3 | 394·5 | | | |
| Self-Balancing Revenue | 51·5 | 50·2 | | | |

## 1. PRODUCTION

| Date. | Coal.* | Pig-Iron. | Steel. |
|---|---|---|---|
| 1931. | Tons mn. | Tons thou. | Tons thou. |
| *November* ... ... ... | *4·5* | *296* | *459* |
| 1932. | | | |
| June ... ... ... ... | 4·0 | 311 | 459 |
| July ... ... ... ... | 3·6 | 293 | 430 |
| August ... ... ... ... | 3·5 | 259 | 362 |
| September ... ... ... | 3·7 | 260 | 430 |
| October ... ... ... ... | 4·1 | 276 | 439 |
| November ... ... ... | 4·3 | 268 | 474 |

* Average weekly figures for month.

## 2. IMPORTS

| Date. | Food. | Raw Materials. | Manufactured Goods. | Total. |
|---|---|---|---|---|
| 1931. | £ mn. | £ mn. | £ mn. | £ mn. |
| *December* ... ... | *39·7* | *18·5* | *18·2* | *77·0* |
| 1932. | | | | |
| July ... ... ... | 29·3 | 10·8 | 11·4 | 51·9 |
| August ... ... | 28·2 | 11·7 | 13·1 | 53·3 |
| September ... ... | 30·6 | 11·2 | 12·1 | 54·3 |
| October ... ... | 35·1 | 11·9 | 13·5 | 60·8 |
| November ... ... | 34·4 | 13·7 | 13·2 | 61·6 |
| December ... ... | 32·1 | 15·6 | 12·7 | 60·6 |

## 3. EXPORTS

| Date. | Food. | Raw Materials. | Manufactured Goods. | Total. |
|---|---|---|---|---|
| 1931. | £ mn. | £ mn. | £ mn. | £ mn. |
| *December* ... ... | *3·0* | *4·0* | *22·7* | *32·1* |
| 1932. | | | | |
| July ... ... ... | 2·3 | 3·5 | 22·4 | 29·3 |
| August ... ... | 2·6 | 3·4 | 21·7 | 28·6 |
| September ... ... | 2·5 | 3·2 | 19·8 | 26·2 |
| October ... ... | 2·9 | 3·9 | 22·7 | 30·4 |
| November ... ... | 3·2 | 4·1 | 22·5 | 31·1 |
| December ... ... | 2·8 | 3·9 | 23·6 | 32·4 |

## 4. UNEMPLOYMENT

| Date. | 1926. | 1927. | 1928. | 1929. | 1930. | 1931. | 1932. |
|---|---|---|---|---|---|---|---|
| End of— | Per cent. | Per cent. | Per cent. | Per cent. | Per cent. | Per cent. | Per cent. |
| January ... ... | 11·0 | 12·0 | 10·7 | 12·2 | 12·6 | 21·5 | 22·4 |
| February ... | 10·4 | 10·9 | 10·4 | 12·2 | 13·1 | 21·7 | 22·0 |
| March ... ... | 9·8 | 9·8 | 9·5 | 10·1 | 14·0 | 21·5 | 20·8 |
| April ... ... | 9·1 | 9·4 | 9·5 | 9·9 | 14·6 | 20·9 | 21·4 |
| May ... ... | 14·3 | 8·7 | 9·8 | 9·9 | 15·3 | 20·8 | 22·1 |
| June ... ... | 14·6 | 8·8 | 10·7 | 9·8 | 15·4 | 21·8 | 22·3 |
| July ... ... | 14·4 | 9·2 | 11·6 | 9·9 | 16·7 | 22·6 | 22·9 |
| August ... ... | 14·0 | 9·3 | 11·6 | 10·1 | 17·1 | 22·7 | 23·1 |
| September ... | 13·7 | 9·3 | 11·4 | 10·0 | 17·6 | 23·2 | 22·9 |
| October ... | 13·6 | 9·5 | 11·8 | 10·4 | 18·7 | 21·9 | 21·9 |
| November ... | 13·5 | 9·9 | 12·1 | 11·0 | 19·1 | 21·4 | 22·2 |
| December ... | 11·9 | 9·8 | 11·2 | 11·1 | 20·2 | 20·9 | |

Percentage of Insured Workers.

# Prices

### 1. WHOLESALE PRICES (average for month)

| Date. | Index Number (Sept. 16th, 1931 = 100). | | | | |
|---|---|---|---|---|---|
| | U.K. | U.S.A. | France. | Italy. | Germany. |
| 1931. | | | | | |
| *December* ... ... ... | *109·6* | *97·2* | *93·5* | *97·2* | *95·3* |
| 1932. | | | | | |
| July ... ... ... ... | 98·7 | 87·6 | 91·4 | 89·0 | 88·1 |
| August ... ... ... | 102·0 | 89·6 | 88·8 | 89·2 | 87·7 |
| September ... ... ... | 106·0 | 90·9 | 89·3 | 91·3 | 87·4 |
| October ... ... ... | 104·0 | 88·6 | 89·1 | 93·0 | 86·7 |
| November ... ... ... | 103·7 | 87·4 | 88·3 | 92·2 | 86·2 |
| December ... ... ... | 102·3 | 84·8 | 88·1 | 91·3 | 84·9 |
| November 5th week ... ... | 103·4 | 87·3 | 88·4 | 91·4 | 85·7 |
| December 1st week ... ... | 103·2 | 85·1 | 88·4 | 91·6 | 85·2 |
| December 2nd week ... ... | 102·4 | 85·1 | 87·9 | 91·4 | 85·0 |
| December 3rd week ... ... | 100·8 | 84·8 | 87·9 | 91·4 | 84·9 |
| December 4th week ... ... | 101·6 | 83·5 | 88·1 | 90·9 | 84·2 |

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

### 2. RETAIL PRICES (end of month)

| Date. | Food. | Rent (including rates). | Clothing. | Fuel and Light. | Other items included. | All items included. |
|---|---|---|---|---|---|---|
| 1931. | | | | | | |
| *November* ... | *32* | *54* | *90* | *75* | *75* | *48* |
| 1932. | | | | | | |
| June ... ... | 25 | 54 | 85–90 | 65–70 | 70–75 | 43 |
| July ... ... | 23 | 54 | 85–90 | 65–70 | 70–75 | 41 |
| August ... ... | 23 | 54 | 85–90 | 70 | 70 | 41 |
| September ... | 25 | 54 | 85–90 | 70–75 | 70 | 43 |
| October ... ... | 25 | 55 | 85–90 | 70–75 | 70 | 43 |
| November ... | 25 | 55 | 85–90 | 70–75 | 70 | 43 |

The figures represent the percentage increase above July, 1914, which is equal to 100.

### 3. COMMODITY PRICES (average for month)

| Date. | Wheat, No. 1 N. Manitoba. | Cotton American Middling. | Wool, 64's tops avge. | Pig-Iron, Cleveland No. 3. | Tin, Standard Cash. | Rubber, Plantation Sheet. |
|---|---|---|---|---|---|---|
| 1931. | per qr. s. d. | per lb. d. | per lb. d. | per ton. s. d. | per ton. £ | per lb. d. |
| *December* ... | *33 8* | *5·23* | *23*$\frac{1}{8}$ | *58 6* | *139* | *3* |
| 1932. | | | | | | |
| July ... ... | 27 10$\frac{5}{8}$ | 4·69 | 21$\frac{3}{4}$ | 58 6 | 126 | 1$\frac{15}{16}$ |
| August ... ... | 29 10 | 5·73 | 21$\frac{3}{4}$ | 58 6 | 142$\frac{1}{8}$ | 2$\frac{1}{16}$ |
| September ... | 29 6 | 6·24 | 23$\frac{1}{8}$ | 58 6 | 152$\frac{11}{16}$ | 2$\frac{11}{16}$ |
| October ... ... | 28 8 | 5·60 | 22$\frac{5}{8}$ | 58 6 | 151$\frac{5}{8}$ | 2$\frac{7}{16}$ |
| November ... | 28 0 | 5·48 | 22$\frac{1}{4}$ | 58 6 | 153$\frac{11}{16}$ | 2$\frac{3}{16}$ |
| December ... | 26 10$\frac{3}{8}$ | 5·15 | 22$\frac{1}{4}$ | 58 6 | 149$\frac{7}{8}$ | 2$\frac{7}{16}$ |